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FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 3754
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 2132
RUEHAR/AMEMBASSY ACCRA 2463
RUEHDS/AMEMBASSY ADDIS ABABA 2588
RUEHRL/AMEMBASSY BERLIN 1081
RUEHBY/AMEMBASSY CANBERRA 1857
RUEHDK/AMEMBASSY DAKAR 2212
RUEHKM/AMEMBASSY KAMPALA 2637
RUEHNR/AMEMBASSY NAIROBI 5065
RHEHAAA/NSC WASHDC
RHMFISS/EUCOM POLAD VAIHINGEN GE
RUEHGV/USMISSION GENEVA 1729
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
RHEFDIA/DIA WASHDC
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 001057

AF/S FOR B. WALCH
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR D. PETERS
STATE PASS TO USAID FOR L.DOBINS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
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SUBJECT: ZIM NOTES 11-28-2008

1. SUMMARY

Topics of the week:

- Negotiators Sign Constitutional Amendment 19...
- Treasury Department Designates More Cronies...
- Supreme Court Dismisses Danish Suit...
- Elders Turned Away...
- Frustrated Soldiers Trash Bank...
- Mbeki expresses frustration with MDC-T...
- Gono's Term Renewed...
- RBZ Directs Public Utilities To Accept Checks...
- RBZ Issues a One-Year Insurance and Pension Industry Bond...
- Russians and South Africans Snap Up Properties In Zimbabwe...
- Five Banks Thrown Out of Stock Exchange...

2. Price Movements-Exchange Rate
and Selected products

Parallel rate for cash doubled to Z\$2,000,000:US\$1

Check rate shot up five-fold to Z\$100 quadrillion:US\$1 against
inter-bank average of \$70,198:US\$1

Bread on the parallel market went up to Z\$2,500,000

Sugar rose to Z\$5,000,000/2kg

Petrol and diesel rose to Z\$2,000,000/liter

On the Political/Social Front

3. Negotiators Sign Constitutional Amendment 19... Negotiators of

all three parties came to agreement on Constitutional Amendment 19 which, when passed by Parliament, will legalize the terms of the power-sharing agreement signed on September 11 and September 15. An online newspaper cited sources saying that the terms were based solely on what was contained in the agreement, and did not include additional provisions sought by ZANU-PF and MDC-T. The same report said the amendment was based on the September 11 version of the power-sharing agreement, rather than the fraudulently altered version that was publicly signed on September 15. An MDC-T spokesperson said, "We signed the draft bill but that does not mean we gave commitment to join the unity government before all these other equally important issues are resolved," referring to issues including the nomination of governors and other senior officials.

¶4. Treasury Department Designates More Cronies... The U.S. Department of the Treasury's Office of Foreign Assets Control on November 25 designated four individuals with ties to the Mugabe government and a number of entities owned or controlled by two of them. A Treasury spokesman said the financial and logistical support they had provided to the regime had enabled Mugabe to pursue policies that seriously undermine democratic processes and institutions in Zimbabwe. The named individuals include John Bredenkamp, Muller "Billy" Rautenbach, Nalinee Joy Taveesin, and Mahmood Awang Kechik.

¶5. Supreme Court Dismisses Danish Suit... Zimbabwe's Supreme Court dismissed a lawsuit brought by the Danish former owners of Nyahondo Farm in Chinhoyi who were challenging the farm seizure orchestrated by Brigadier-General Tapfumaneyi. The Danish owners were arguing that the seizure violated the Bilateral Investment Protection

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Agreement (BIPA) between Zimbabwe and Denmark. The ruling could expose Zimbabwe to economic reprisals via the World Trade Organization. Zimbabwe also has BIPAs with Austria, France, Germany, Malaysia, Mauritius, the Netherlands, South Africa, and Sweden.

¶6. Elders Turned Away... Former U.S. President Carter, Nelson Mandela's wife Graca Machel, and former UN Secretary General Kofi Annan were denied entry into Zimbabwe last week to assess the humanitarian crisis. President Mugabe's government said it stopped the Elders' visit because it was ill-timed coming when the country was busy with negotiations to form a government of national unity. Nonetheless, the three Elders held meetings on Zimbabwe in South Africa and issued somber assessments of the country's plight. "We were expecting a gloomy situation, but the situation is far beyond what we could have imagined," said Graca Machel at a press briefing in Johannesburg.

¶7. Frustrated Soldiers Trash Bank... After a day of waiting in lines to withdraw cash, between 60 and 70 soldiers were told on November 27 that there was no more cash available for withdrawal. The soldiers ran amok and took their anger out on the staff of the bank located on Samora Machel Avenue in Harare. After beating several bank employees, they smashed the bank's windows before eventually being restrained by military police. There were also reports of soldiers creating disorder at one army barracks and confiscating forex from citizens on the streets of Harare.

¶8. Mbeki expresses frustration with MDC-T... In response to a letter from MDC Secretary General Biti dismissing the results of the Nov 9 SADC Summit and questioning the usefulness of discussions at this time, Facilitator Mbeki on November 22 wrote a 10 page letter to Morgan Tsvangirai, rebuking the MDC-T for lack of concern about the plight of Zimbabweans and excessive ties to western powers.

On the Economic and Business Front

¶9. Gono's Term Renewed... President Mugabe renewed Gideon Gono's term as governor of the Reserve Bank of Zimbabwe (RBZ) for another five years. This effectively kills speculation that he would be sacked due to his lax monetary policies and extensive quasi-fiscal operations that pushed inflation through the roof. His new term

extends his position until December 2013. It is not yet clear how difficult it would be for a new government to reverse this appointment; this will depend in part on whether Amendment 19 to the Zimbabwean constitution includes a ZANU-PF supported provision validating decisions made by government officials since the last Parliament was dissolved.

¶10. RBZ Directs Public Utilities To Accept Checks... On November 20, the RBZ directed parastatals to accept checks as a legitimate form of payment of bills in lieu of cash. This was in direct response to the Zimbabwe Electricity Supply Authority's (ZESA's) refusal to accept payment of electric bills by check.

¶11. RBZ Issues a One-Year Insurance and Pension Industry Bond... On November 14, the RBZ issued a one year bond to insurance companies, pension funds, and other financial institutions to raise funds for GOZ capital projects at a 450% interest rate. Given the low interest rate relative to inflation, the bond effectively provides the GOZ with free capital and enforces the RBZ policy that insurance and pension funds invest 35% of their assets in prescribed government investments.

¶12. Russians and South Africans Snap Up Properties In Zimbabwe... According to a report by the real estate group Pam Golding

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Properties, Russian and South African property investors are buying houses in Harare. There are few local buyers because of the collapse of the Zimbabwean mortgage industry.

¶13. Five Banks Thrown Out of Stock Exchange... Following the tightening of trading conditions on the Zimbabwe Stock Exchange (ZSE), First Bank, CFX, Kingdom, NMB and ZABG were kicked out of the market on November 22, 2008 for failing to meet debts amounting to hexillions of Zimbabwe dollars. (Note: One hexillion is the equivalent of US\$10,000 at the current check rate. End Note.)

Quote of the Week

¶14. November 22 letter from Facilitator Mbeki to Morgan Tsvangirai:
"Realistically, Zimbabwe will never share the same neighborhood with the countries of Western Europe and North America, and therefore secure its success on the basis of friendship with these, and contempt for the decisions of its immediate African neighbors."

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